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Objectives of the Federal Market News Service
for Dairy and Poultry Products

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The market news service on dairy and poultry products was established by the U. S. Department of Agriculture about 35 years ago. From a modest beginning in 1918, the service has experienced a gradual growth, until at the present time, market information on these products is being made available for 23 terminal markets, 11 commercial poultry producing areas, and the primary dairy markets of Wisconsin. Most of this work is carried on cooperatively by the Federal Government and the States, the States contributing to the operating costs. At present, cooperative agreements with 25 States are in effect.

Why was the service inaugurated, and why this expansion? What are the objectives of market news, and how are these objectives attained? These are typical questions that will be discussed in the following paragraphs.

It is reasonable to assume that the market news service was established because of a demand from producers and others in the industry for more and better market information. Before the establishment of market news, most of the information available was limited to that provided by local newspapers. Exceptions were the quotations issued by certain exchanges and commercial reporting agencies in several markets. Later, the exchanges discontinued issuing quotations. Commercial quotations are still available in a few markets. The purpose of the Federal market news service, from its very beginning, has been to provide information which is accurate, which because of uniform reporting procedure is comparable between markets, and which is promptly and widely disseminated. An important feature of the service is that local market reports contain information regarding not only the market where issued, but also other markets which are of significance to local interests. This coverage is possible through the facilities of a leased wire communication system. These reports also contain much statistical information regarding supply and demand conditions which was not formerly available.

Before the establishment of the Federal market news service, commercial market quotations played an important part in the marketing of dairy and poultry products. This continues to be so, insofar as New York City and Chicago are concerned, because the commercial quotations are still being widely used as a basis for trading between buyers and sellers in terminal markets, and between producers or shippers and terminal market receivers. As time has passed, new markets and new products have entered the picture, changes in marketing have occurred, and new marketing programs have been developed. These developments along with improved highway and transportation facilities, have been influences that have changed the flow of products to market outlets. Direct marketing has resulted in the bypassing of wholesale outlets by a large percentage of products that formerly sold through

such outlets. Despite declines in wholesale trading, however, wholesale market quotations of commercial agencies at the New York and Chicago markets still exert an important influence on prices received by producers, shippers, and others in many parts of the country.

There are certain differences between commercial quotations referred to, and prices reported by the Federal market news offices. The former are largely based on exchange trading, and are available at the close of the spot calls, whereas the latter cover not only trading on the exchange but also later trading on the street. Competitive buying and selling in the two wholesale markets are such that a common practice has developed of buying or selling at premiums over the commercial quotations, with the result that, through broader coverage and a policy of reporting actual prices including premiums, if any, prices reported by the Federal market news service are usually higher than the commercial quotations.

The market news service has never had as a purpose the establishing of a price which would serve primarily to fix a base for trading, nor to "make the market." On the contrary, every effort is made to avoid that position, and there are very good reasons for this. In the first place, the market news service is not in the business of buying or selling. In our opinion, it is more logical for those who have goods to sell, or those who want to buy goods, to determine what values are. The function of the market news service is to report the results of these transactions on a marketwide basis. Dealers are, of course, at liberty to operate as they choose, and occasionally some dealers use the prices reported by the market news service in the same manner as referred to above in the case of commercial quotations. Such dealers eliminate themselves as sources of information for market reporters, as their prices will not be determined until the market report is released. This means that such dealers merely go along with the market, and thus do not directly exert their influence in the matter of price changes. Such a practice reduces reporting coverage. In a few instances, it reached such proportions in certain market areas that coverage was inadequate to report prices at all. When this happened, and no local price information was available, dealers were in a position of having to negotiate and complete sales at a price, and the reporter was thus in a position to resume price reporting.

We believe the practice of reporting prices which reflect actual sales is sound, and that to quote a price in advance of trading or without trading as a background, actually places a reporter in the position of making the market, or fixing prices. Apart from this and the probability that such procedure would lead to inevitable criticism from persons who would claim that the quotation was too high, or too low, the reporter would probably be in a vulnerable position from another angle. Public attitude generally is not favorable to price fixing. Furthermore, there is a legal angle to be taken into account. Several exchanges, as well as numerous dealers, have at one time or another been indicted for alleged collusion on matters relating to prices. There is no reason to assume that market reporters would be exempt from prosecution if it were proved that published prices were based on opinion only. It seems unreasonable that members of an important industry should expect the market news service to decide for them the price or prices at which their products should sell.

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Although we believe the position of the market news service to report rather than to quote prices is sound, the convenience of a quotation that may be used as a base is recognized. In one respect, it may facilitate trading operations, but if or when such a quotation does not reflect the true value of products, premiums or discounts begin to enter the picture. The result is that every one knows what the base is, but no one knows what the overall price situation is. Values can best be determined by those who buy or sell, and thus have a financial interest in the product in question.

Regardless of the policy adopted by the market news service, of one thing there is a certainty. At one time or another the service will be criticised. Buyers and sellers usually have different opinions as to values. Therefore, if reported prices are too low from the seller's viewpoint, or are regarded as too high by buyers, market news may be criticised. There is also occasional criticism because price ranges are reported, rather than a single price for a given grade. Neither of the foregoing criticisms is justified. Anyone familiar with marketing knows that some buyers are more particular than others, that there are within-grade differences of quality, and that not all dealers in a market have a common idea as to values. Furthermore, price changes are bound to occur from time to time, because supply and demand are not evenly balanced. Price changes are not due to the whims of a market reporter.

Trade cooperation is essential in providing market information. For the most part, cooperation is excellent. There are usually a few individuals in a market, however, who for one reason or another are uncooperative. We believe it is to the advantage of all buyers and sellers to cooperate in supplying price and other market information. If they do not, they obviously limit reporting coverage, and they also eliminate from the picture their ideas of values and the use of price information applicable to their sales or purchases.

Reporters learn through experience, of course, that information from some sources is not always complete, and that in other instances, it may even be inaccurate. Judgment must be used in these cases, for no reporter is expected to use information which is of doubtful accuracy, or which cannot be confirmed. Without trade cooperation, the market news service could not operate successfully. On the other hand, it is assumed that traders would operate less successfully without market news.

One question commonly asked about market news relates to the procedure followed in reporting prices. One may occasionally hear a Federal market reporter referred to as the man who "makes the market." Nothing could be further from accuracy than such a statement. Federal market reporters do not "make the market." They report prices, and their reports follow, rather than precede, trading.

There are one or more market reporters in every terminal market or producing area where prices are reported by the market news service. These are full-time Federal or Federal-State employees, and they are responsible for the information released locally. Their job is to "cover the market." This is

accomplished by personally interviewing buyers and sellers, and obtaining information as to sales or purchases, volume, grade or class, and price. Such information is supplied on a confidential basis, and is regarded strictly as such. When interviews have been completed, the assembled information is compiled and analyzed, and from this, a conclusion is reached as to what the prevailing prices are, and what shall be published. Proper analysis of the data assembled involves a knowledge of types of business and the buying or selling practices of each source of information. Only to a limited extent does the element of judgment enter into the reporter's decision, but the exercise of judgment does not mean that bona-fide price information may be arbitrarily excluded. Judgment applies to the reporting of questionable prices which for one reason or another cannot be confirmed before the report must be released.

Limitations under which reporters operate make it practically impossible for them to do the job on a precision basis. There is the pressure of time, for example, because releases must meet certain deadlines, such as radio broadcasts, newspaper schedules, and mail pickup. Another limitation is inability to contact some buyers, who may be out of town, or otherwise absent from their places of business. Finally, today's report must be issued today - not tomorrow. Despite these and other limitations, it is possible to get out reports that are useful, and that reflect day-to-day changes in market conditions for the bulk of the product moving through a market during a given time.

The number of products for which prices are reported varies in different markets, depending on the volume moving through the market, significance of the information, and reporting personnel and time available. In the broiler areas where the staff usually consists of one reporter, and it is necessary to assemble information by long distance telephone, full time is spent on broilers only. Information released includes "at farm" and "at plant" prices, and volume of marketings. The largest reporting staff is at New York City, and consists of four reporters, covering all of the major dairy products, eggs, and live, dressed, and ready-to-cook poultry. Insofar as possible, price reporting is refined on the basis of grade, type of packing, and so on.

In addition to price reporting, most all terminal market news offices assemble information regarding local market receipts and storage movements of the major products. Other miscellaneous information assembled currently at a few offices, includes primary market receipts of eggs, carlot movements of dairy and poultry products to the Pacific Coast, movements into retail channels, and volume of marketings. Information assembled at each office is made available to all other offices over the leased wire circuits, which cover approximately 11,000 miles. These wires also carry information on fruits and vegetables, livestock, and grain.

Dissemination of market news is an important function. Mimeographed reports issued at field offices reach many thousands of persons every day. In all markets the press associations and radio stations form important outlets. When, for example, a market news office releases the day's price report at noon, it is flashed over the leased wire circuits, and there is often an immediate outlet through radio broadcasts. It is not known how many newspapers carry

Federal or Federal-State market information, but it will be found in practically all the major dailies and weeklies. More than a thousand radio stations broadcast regularly information which originates in dairy and poultry market news offices, and the number is increasing constantly. Many buyers of live poultry have their trucks equipped with radios and thus keep informed of market trends through current broadcasts, as do many producers from whom they buy. Everywhere, there is the demand for more information, and for information as soon as it becomes available.

There would be no purpose in assembling market information if it did not serve some practical and useful purpose. Also to be mentioned is the fact that intelligent use of market information requires an understanding of what it means. The user must know what trading levels are involved when he reads a market report, or the market page of his newspaper, or when he hears the report over the radio. It would be of great value for purposes of comparison if prices in all markets were reported at a common trading level. That, however, is impossible. In a market like New York City, where there is a considerable volume of wholesale trading, wholesale prices are still of significance. In another market which is smaller, but which is of considerable importance to those who use it as an outlet, there may be no trading at the wholesale level, and prices paid f.o.b. at that market may be of greatest significance.

During recent years, there has been a tendency for the emphasis of price information to shift back toward producing areas, as will be noted from the development of reporting "at farm" prices in commercial broiler areas. The market news service has available, for those interested, descriptive statements about the service, types of prices reported, and terms used in describing tone of the market.

Uses made of market news are many and varied, as indicated by returns from the circularization of mailing lists. We find, for example, producers use the information to keep posted on current markets so they will know when to sell and what to expect for what they sell. Dealers use the information to keep informed regarding trends, prices, supply, storage movements, and competitive outlets, and in developing contractual arrangements. The information is used by railroads in connection with studies of shifts in types of transportation, rate cases, and settlement of damage claims. Storage warehouses and banks use market information in determining their storing and loan policies. Hotels and restaurants are interested in prices and their effect upon costs of menus. Trade organizations and educational institutions use market reports for analytical work, background for advertising, press releases and educational programs, and, of course, the information is widely used by press and radio for public dissemination. These uses suggest that market news plays an important part in the dairy and poultry business.

The market news service of the U. S. Department of Agriculture in cooperation with many States, is attempting to meet the obligation imposed upon it by the Congress by supplying the public promptly with accurate information regarding market developments on a nationwide basis. The service has grown gradually as a result of industry demands. This growth, it is hoped, reflects confidence in the service.



